

W. MICHAEL VONSTEUBEN

1 **DELMARVA POWER & LIGHT COMPANY**
2 **REBUTTAL TESTIMONY OF W. MICHAEL VONSTEUBEN**
3 **BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION**
4 **CONCERNING AN INCREASE IN ELECTRIC BASE RATES**
5 **PSC DOCKET NOS. 09-414/09-276T**

6
7 **1. Q: Please state your name and position.**

8 A: My name is W. Michael VonSteuben. I am Manager, Revenue
9 Requirements in the Regulatory Affairs Department, Pepco Holdings Inc. (PHI). I
10 am testifying on behalf of Delmarva Power & Light Company (Delmarva,
11 Delmarva Power, and Company).

12 **2. Q: Did you previously submit Direct Testimony in this case?**

13 A: Yes.

14 **3. Q: What is the purpose of your Rebuttal Testimony in this proceeding?**

15 A: First, I will address the overall policy issue that Division of Public
16 Advocate (DPA) Witness James D. Cotton and Staff Witness Donna H. Mullinax
17 raise regarding the failure to recognize reasonably known and measurable changes
18 to make the test period representative of the rate effective period. Second, I will
19 provide a listing of all uncontested adjustments supported by the Commission
20 Staff and DPA. I then will address the contested adjustments and proposals made
21 by DPA Witnesses Cotton and Andrea C. Crane and Staff Witness Mullinax in the
22 following areas:

23 a) Adjustment No. 2, Regulatory Commission Expense,

24 b) Adjustment No. 3, Injuries and Damages Normalization,

25 c) Adjustment No. 4, Uncollectible Expense,

- 1 d) Adjustment No. 5, Wage and FICA Expense Adjustment,
- 2 e) Adjustment No. 7, Employee Benefits Expense,
- 3 f) Adjustment No. 8, Other Post Employment Benefits (OPEB) Expense
- 4 Adjustment,
- 5 g) Adjustment No. 9, Pension Expense,
- 6 h) Adjustment No. 11, Storm Restoration Expense Normalization,
- 7 i) Adjustment No. 13, Cost Accounting Manual Audit Costs,
- 8 j) Adjustment No. 14, Energy Advisors and Specialists,
- 9 k) Adjustment No. 18, Reliability Plant Closings through July 2009,
- 10 l) Adjustment No. 19, Reliability Plant Closings August 2009 to
- 11 December 2009,
- 12 m) Inclusion of Construction Work in Progress (CWIP) and Allowance
- 13 for Funds used during Construction (AFUDC) in cost of service,
- 14 n) Adjustment No. 20, Advanced Metering Infrastructure (AMI)
- 15 Amortization,
- 16 o) Adjustment No. 25, Credit Facilities Cost,
- 17 p) OPC's Adjustment to remove Supplemental Executive Retirement
- 18 Plan expense (SERP),
- 19 q) Staff's Additional Executive Incentive Compensation Adjustment,
- 20 r) Non-Executive Incentive Expense Normalization, and
- 21 s) Wilmington Franchise Tax.

22 In addition, I am responsible for quantifying the revenue requirements of
23 the Company's rebuttal positions. I have prepared Schedule WMV R-1 to

1 compare the various parties' positions on all of the issues and the respective
2 resulting revenue requirements. On Schedule WMV R-1, I have identified non-
3 contested and contested items to better highlight positions.

4 **4. Q: Please provide an overall comment on the revenue changes recommended by**
5 **the Staff and DPA.**

6 **A:** As Company Witness Kamerick states in his Rebuttal Testimony, Staff's
7 and the DPA's recommendations, if adopted, would have an extremely negative
8 effect on the Company and its customers. If adopted, these proposals would be
9 viewed negatively by both the financial community and the rating agencies.
10 Specifically, many of the Staff and DPA proposals fail to recognize reasonably
11 known and measurable changes necessary to make the test period representative
12 of the rate effective period.

13 **5. Q: Please address the issue of adjustments outside of the Test Period raised by**
14 **both DPA Witness Cotton and Staff Witness Mullinax which you believe are**
15 **important in this case.**

16 **A:** DPA and Staff depart from Commission precedent that supports
17 recognition of reasonably known and measurable changes that make the test
18 period representative of the rate effective period. DPA Witness Cotton explains
19 why he believes that an adjustment not based on events that were within the
20 historical test period should not qualify as a test period adjustment. He uses this
21 basis to recommend disallowance of adjustments for Uncollectible Expense,
22 Wages and Salary Increase, OPEB Expense, Employee Benefits, Pension
23 Expense, Reliability Plant Closings, and AMI costs. Staff Witness Mullinax

1 provides a similar argument on page 9 of her Direct Testimony where she states
2 that because the Company selected a historical test period, several adjustments
3 that are outside of the test period should be rejected.

4 **6. Q: Has this Commission addressed this issue in the past?**

5 A: Yes. As I stated in my Direct Testimony, this Commission has
6 traditionally adjusted the test period for reasonably known and measurable
7 changes to make the test period representative of the rate effective period. As I
8 also noted on page 28 of my Direct Testimony, that practice is consistent with the
9 Commission's Minimum Filing Requirements, which state:

10 Modifications in test period data occasioned by reasonably known and
11 measurable changes in current or future rate base items, expenses (i.e.,
12 labor costs, tax expenses, insurance, etc.) or revenues may be offered in
13 evidence by the utility at any time prior to its filing of rebuttal evidence...
14

15 DPA Witness Cotton contends that in virtually all of the cases in which his
16 firm participates, the test periods are closer to the rate effective period. On page 7
17 of his Direct Testimony, he states that going beyond the boundaries of the test
18 period violates the Commission's rules. However, he does not cite which of the
19 Commission's rules is violated. I have been involved in the many Delmarva
20 electric and gas cases going back to the 1980's and adjustments for reasonably
21 known and measurable adjustments to make the test period reflective of
22 conditions for the rate effective period have been allowed in all of those cases.
23 Not only is this the normal ratemaking practice in Delaware, it is also the
24 ratemaking approach used by the other regulatory bodies in which the other PHI
25 utility companies operate and is the normal approach throughout the country.

1 Just as in the Company's last electric and gas proceedings, the Company
2 uses an historical test period in this proceeding and reflects adjustments for
3 reasonably known and measurable changes to make the test period representative
4 of the rate effective period. In both of the Company's most recent prior
5 proceedings, the timing between the test period and the rate effective period was
6 consistent with the timing in this proceeding.

7 **7. Q: Please comment on DPA Witness Cotton's position that the Company has not**
8 **included items like customer additions and revenues beyond the test period.**

9 A: The Company intentionally limited its requested ratemaking adjustments
10 to adjustments that have either been accepted or are closely aligned with
11 adjustments accepted by this Commission in the past that have a reasonably
12 known and measurable impact on revenue requirements for the rate effective
13 period. Mr. Cotton states on page 8 of his Direct Testimony that future customer
14 additions and additional revenues due to usage increases and decreases could
15 create a mismatch of rate base, revenues and expenses. He ignores the clear
16 difference between quantifying the level of a future sales and revenue change and
17 quantifying the impact of a future union or non-union wage increase. Customer
18 and revenue forecasts are based on expectations about customer decisions
19 regarding electricity usage, decisions of businesses to relocate, general economic
20 conditions and many other uncertain variables. Revenue forecasts are much less
21 certain. Just the opposite is true regarding future wage increases, reliability plant
22 closings, employee benefits and other adjustments that the Company has made in
23 this proceeding. These expense adjustments are associated with price changes, not

1 volumetric changes, and the rate base adjustments are associated with incremental
2 non-revenue producing investment. They do not create a mismatch. These
3 increases are the result of decisions that have already been made and to not reflect
4 these changes is just not reasonable.

5 **8. Q: Did the Commission also address test period issues in Docket No. 91-20?**

6 **A:** Yes. In the Delmarva Power & Light Company 1991 rate case, Docket
7 No. 91-20, Order No. 3389 is very clear on this issue. In that proceeding, like the
8 DPA here, the Office of Public Advocate (OPA) filed testimony contending that
9 the Commission should disallow any adjustments beyond the end of the test
10 period. The Hearing Examiner found that the OPA's test period argument was too
11 restrictive and therefore inappropriate. The Commission affirmed the Hearing
12 Examiner's recommendation regarding post-test period rate base adjustments and
13 noted that it may not arbitrarily refuse to consider accurate post-test period
14 information in setting rates.

15 The Commission also explicitly affirmed the Hearing Examiner's
16 recommendations regarding wage and FICA increases which occurred outside of
17 the test period. The Commission's rationale was that these costs were known,
18 measurable and were of such magnitude as to significantly affect the Company's
19 ability to earn its allowed rate of return during the rate effective period. The same
20 is true in this proceeding. The Order also made reference to the Commission's
21 Minimum Filing Requirements. In fact, the Commission's Order No. 2587
22 establishing the Minimum Filing Requirements and the Minimum Filing
23 Requirements themselves refer to increased labor costs as the first example of

1 known and measurable changes which should be used to modify the test period
2 data.

3 In contrast to this clear precedent creating established ratemaking
4 procedures, the DPA and Staff are opposing plant investment that is reasonably
5 known and measurable, will be serving customers during the rate effective period
6 and is now serving current load in this proceeding.

7 **9. Q: Why is this issue important to the Company and the Commission?**

8 A: As stated in Company Witness Kamerick's Direct Testimony on page 23,
9 the rating agencies' evaluation of Commission decisions is critical to the
10 Company's credit ratings. Consistency and predictability of decisions and
11 appropriate ratemaking treatments are important elements for rating agencies.
12 The DPA and Staff have offered no reason for this Commission to radically alter
13 its policies. In addition, moving to the position advocated by the DPA of not
14 allowing any adjustments past the test period will ensure that the Company does
15 not earn its authorized rate of return during the rate effective period, which
16 increases the impact of regulatory lag and ultimately increases the frequency and
17 timing of rate increase requests.

18 **Uncontested Adjustments**

19 **10. Q: Please list the uncontested adjustments.**

20 A: The adjustments that I believe have been accepted by all parties include:

21 Adjustment No. 1, Weather Normalization,

22 Adjustment No. 6, Employee Association Expense,

23 Adjustment No. 10, Executive Incentive Expense,

1 Adjustment No. 12, Postage Expense,

2 Adjustment No. 15, Integrated Resource Plan (IRP) Amortization – the
3 Company accepts Staff's proposed ten year amortization of the \$3,587,000
4 of IRP costs with the unamortized amount included in rate base. No party
5 contests that the Company should continue to defer ongoing incremental
6 costs related to the Bluewater issue and that the ratemaking of these
7 additional costs are to be addressed in the Company's next base rate
8 proceeding.

9 Adjustment No. 16, IRP Ongoing costs - the Company proposed an
10 adjustment to recognize the normal level of expense associated with the
11 ongoing IRP work and filing, estimated to be \$1,875,000.

12 Adjustment No. 17, Request For Proposal (RFP) Amortization – the
13 Company accepts Staff's proposed ten year amortization of the \$4,355,000
14 RFP costs with the unamortized amount included in rate base.

15 Adjustment No. 21, Refinancing Amortization - consistent with past
16 Commission's treatment, the Company has included an adjustment to
17 recognize amortization expense of \$763,000 and \$3,945,000 of rate base
18 related to refinancings. These amounts have been updated from the
19 Company's original filing to reflect corrections discovered during Staff's
20 field examination.

21 Adjustment No. 22, Wilmington Franchise Tax - the Company proposed
22 an adjustment of \$76,000 to reflect a normal level of Wilmington
23 franchise tax for the rate effective period. This amount has been updated

1 from the Company's original filing to reflect corrections noted in
2 discovery.

3 Adjustment No. 23, Remove Post-1980 Investment Tax Credit,

4 Adjustment No. 24, Interest on Customer Deposits,

5 Adjustment No. 26, Accrued OPEB Liability Balance,

6 Adjustment No. 27, Interest Synchronization (in concept), and

7 Adjustment No. 28, Cash Working Capital (in concept).

8 It is important to provide explicit recognition of the ratemaking practices
9 and adjustments that have been made and accepted in this proceeding. As I
10 mention above, this historical acceptance of a practice or adjustment provided
11 guidance in the preparation of this case and will continue to provide guidance for
12 future cases.

13 **Contested Adjustments**

14 **Adjustment No. 2, Regulatory Commission Expense**

15 **11. Q: Please describe the adjustment for regulatory commission expense.**

16 A: In my Direct Testimony, I proposed an adjustment to normalize regulatory
17 commission expenses using a three-year average. I also included the cost of this
18 filing, including the costs of Staff and DPA, normalized over a three-year period.
19 DPA accepted the Company's proposed regulatory commission expense
20 adjustment. Staff's witness did not.

21 **12. Q: What is Staff Witness Mullinax's position on this adjustment?**

22 A: Ms. Mullinax proposed an adjustment that amortizes the costs of this case
23 over a five-year period. In addition, she has reduced the expense associated with

1 the Company's cost of capital witness based on a Company discovery response.
2 In response to Company data request no 22, Witness Mullinax revises her
3 testimony to change the word "amortized" on line 20 of page 12 to the word
4 "normalized". Based on this change, Witness Mullinax is now recommending
5 that the regulatory commission expenses for this proceeding be normalized over
6 five years and added to the three-year average of all other regulatory commission
7 expenses. Ms. Mullinax's reason for selecting a five-year normalization for the
8 cost of this proceeding is that the Company's last electric base rate case was in
9 2005, five years ago. Staff's response to Company Data Request no. 23 to Ms.
10 Mullinax is attached as Schedule WMV R-2.

11 **13. Q: Please comment on Ms. Mullinax's position.**

12 A: I accept the revision to the cost of capital witness costs proposed by Ms.
13 Mullinax but I do not accept the five-year normalization period. It is also
14 appropriate to recognize the additional costs incurred by the Company due to the
15 increased level of interest in the ring fencing issue and subsequent testimony by
16 Staff. The Company has added an additional witness at a cost of \$40,000 to rebut
17 the position discussed by Staff's ring fencing witnesses.

18 I continue to support a three-year normalization period for rate case
19 expenses for this proceeding. Ms. Mullinax states on page 13, lines 1-3 of her
20 testimony that: "The purpose of normalizing expenses for ratemaking purposes is
21 to reflect a level of expense that the utility would be expected to incur in each year
22 of the rate effective period." As I have said many times, this is the approach
23 followed by the Commission for adjusting the test period data. Ms. Mullinax's

1 position assumes that the Company will not be filing another electric base rate
2 proceeding for five years or until 2015. This is simply not the case. With the
3 implementation of AMI and continued reliability improvements, the Company
4 will be filing rate cases on a more routine basis and the use of a three-year average
5 for normalization purposes is appropriate. The Company's tentative plan is to file
6 an electric base rate proceeding to capture the first year of costs and savings
7 associated with the implementation of AMI. The next electric base rate
8 proceeding could be filed in 2011, closer to two years from the filing of this
9 proceeding. A five-year normalization would understate regulatory commission
10 expense and not allow recovery of the costs of this proceeding. The Company is
11 not requesting rate base treatment of this item even though Staff Witness
12 Mullinax indicates she has supported it in other cases. A three-year normalization
13 is also consistent with how this expense has been treated in the past. For all of
14 these reasons, a three-year normalization period should continue to be used for
15 this adjustment.

16 **Adjustment No. 3, Injuries and Damages Expense Normalization**

17 **14. Q: Please describe the adjustment to normalize Injuries and Damages Expense.**

18 A: In my Direct Testimony, I proposed an adjustment to normalize injuries
19 and damages expenses using a three-year average. This is consistent with the
20 Commission's decisions in the Company's last base rate filing, Docket No. 05-
21 304 and the case prior to that, Docket No. 03-127. The Staff and DPA both
22 accepted this treatment in those prior cases. The Staff has accepted the Company's

1 proposed treatment of normalizing injuries and damages expense using a three-
2 year period in this proceeding. The DPA has not.

3 **15. Q: What is DPA Witness Cotton's position on this adjustment?**

4 **A:** Mr. Cotton does not make a normalization adjustment for injuries and
5 damages expense in this proceeding. Much like his test period argument, he
6 concludes that there is no reason why the test period amount should be adjusted.

7 **16. Q: Do you agree with Mr. Cotton's recommendations?**

8 **A:** No. His recommendation does not follow Commission precedent related to
9 injuries and damages expense. The practice of this Commission has been to
10 normalize certain types of data or expense items because the test period data may
11 not be reflective of the rate effective period. Schedule WMV-5 in my Direct
12 Testimony shows that the injuries and damages expenses have significant
13 variability. This variability in injuries and damages is to be expected and is
14 another reason that the expense level has been normalized for ratemaking
15 purposes by this Commission going back to the Docket No. 91-20 proceeding.
16 The expense level went up by close to 9% in 2008 and then dropped by 17% in
17 2009. This significant amount of variability is further proof that a three-year
18 average should be approved for this adjustment. Below are the system injuries and
19 damages expenses for over the past three years:

| | | |
|----|---------------------------|-------------|
| 20 | Year ended March 31, 2007 | \$2,379,843 |
| 21 | Year ended March 31, 2008 | \$2,593,505 |
| 22 | Year ended March 31, 2009 | \$2,142,326 |

1 The use of three-year normalization, previously approved by the
2 Commission, continues to be appropriate to use in this adjustment. The use of an
3 averaging (normalization) method takes into consideration both high and low
4 expense years for purposes of establishing a reasonable expense level that might
5 be expected to occur during the rate effective period. Based on this evidence,
6 these expense levels should continue to be normalized using a three-year average.

7 **17. Q: What was the DPA's position on Injuries and Damages Expense**
8 **normalization in the Company's last two base rate cases, Docket Nos. 05-304**
9 **and 03-127?**

10 **A:** In both of the Company's last base rate cases, Docket Nos. 05-304 and 03-
11 127, the DPA accepted the Company's proposed three-year normalization of
12 injuries and damages expense. It should be noted that the test period level of
13 expense in Docket No. 03-127 was the highest of the three years and in Docket
14 No. 05-304, it was the lowest of the three years. In both cases, the Commission
15 accepted a three-year normalization of injuries and damages expense.

16 **Adjustment No. 5, Wage and FICA Adjustment**

17 **18. Q: How is the Company's adjustment for the Wage and FICA increase**
18 **computed?**

19 **A:** Using the method approved in Docket No. 91-20 as well as Docket No.
20 05-304, I adjusted the test period monthly wage levels by applying wage increases
21 that are known and measurable. The calculation maintains the quantities that are
22 included in the historic test period ending March 31, 2009, and adjusts for price

1 changes only. I reflected the change in wages for the period that the new rates
2 will be in effect, the twelve months ending April 30, 2011.

3 **19. Q: What are Staff's and DPA's positions on this adjustment?**

4 A: As discussed earlier, based on their failure to recognize reasonably known
5 and measurable changes to make the test period representative of the rate effective
6 period, both DPA and Staff reject these known and measurable wage increases on
7 the premise that they are outside of the test period and are not reasonably known
8 and measurable. Staff does not even annualize the wage increases that occurred
9 during the test period.

10 **20. Q: Please discuss their positions on this issue.**

11 A: DPA Witness Cotton annualizes the wage increases that occurred during
12 the test period but does not reflect the wage increases for the June 2009 or 2010
13 increases for Locals 1238 and 1307. These increases are contractual obligations to
14 Delmarva's union employees. As a result, Mr. Cotton does not recognize any
15 known and measurable price changes that will be in effect during the rate effective
16 period.

17 Staff Witness Mullinax employs the twelve months ending March 2009 as
18 the pro-forma level of wage and FICA expense. As a result, Ms. Mullinax does
19 not recognize any reasonably known and measurable price changes that occurred
20 during the test period or that will affect the rate effective period.

1 21. Q: Are Staff Witness Mullinax's and DPA Witness Cotton's positions consistent
2 with past Commission decisions?

3 A: No. As I noted earlier, this Commission has consistently recognized that
4 reasonably known, verifiable and measurable price changes, such as this wage
5 FICA adjustment, are to be included in the determination of the appropriate
6 revenue requirement. It is appropriate to adjust the test period to properly reflect,
7 as closely as is practical, the conditions that will exist during the first year the new
8 rates are in effect. The wage increases that I have included in this adjustment are
9 either currently in effect or will be in effect a result of union contracts or are
10 reasonably predicted based on history. These wage price increases are reasonably
11 known and measurable and the Company's adjustment reflects the effect of these
12 changes through the rate effective period. These price increases are:

- 13 1) a contractual IBEW 1307 increase of 3.0 % that became effective June
14 2008,
- 15 2) a contractual IBEW 1238 wage increase of 3.0 % that became effective
16 February 2009,
- 17 3) a contractual IBEW 1307 wage increase of 3.0 % effective June 2009,
- 18 4) an IBEW 1238 wage increase estimate of 1.5 % effective February
19 2010, and
- 20 5) an IBEW 1307 wage increase estimate of 1.5% effective June 2010 for
21 ten months.

22 The above wage increases are all for union contracts that are already in
23 place or will be in place during the rate effective period. To not reflect an

1 estimate for these known and measurable changes is the same as saying that the
2 Company's wage levels and experience for the twelve months ending March,
3 2009 would be the same as for the twelve months ending April, 2011. Of course,
4 Staff and DPA know that wage levels will not be the same and have, in fact,
5 already increased pursuant to union agreements. The effect of these reasonably
6 known and measurable price changes should be reflected during the rate effective
7 period.

8 **22. Q: You mention in your Direct Testimony that there was no non-union merit**
9 **wage increase in 2009. Was there one implemented in 2010 and, if so, what**
10 **is the impact?**

11 **A:** Yes, there was a non-union merit wage increase of 3.09% effective March
12 1, 2010. I did not include an estimate of this wage increase in my Direct
13 Testimony since at the time it was not reasonably known and measurable. It is
14 now known and measurable and like the other wage increases, it should also be
15 reflected in the expense levels for the rate effective period. I have included the
16 effect of this wage rate change in this updated adjustment and it is included in my
17 revenue requirements summary.

18 **Adjustment No. 7, Employee Benefits**

19 **23. Q: Please describe the Company's proposed adjustment for proforma employee**
20 **benefit expense.**

21 **A.** I included an adjustment to test period operation and maintenance expense
22 that would reflect an increase in medical expense by 8%, and dental and vision
23 expense by 5% based on an analysis of the Company's benefit consultant, Lake

1 Consulting, Inc. This type of an adjustment was also submitted in the Company's
2 most recent gas base rate proceeding, Docket No. 06-284, and in that proceeding,
3 both the Staff and DPA accepted the Company's proposed adjustment.

4 **24. Q: Did Staff and DPA agree with your adjustment in this proceeding?**

5 A: No. Staff does not accept this adjustment as explained by Ms. Mullinax
6 on page 17 of her Direct Testimony. The DPA also does not include this
7 adjustment in its revenue requirement determination. The Staff rejects this
8 adjustment since it is based on a survey of only six companies, and is outside of
9 the test period. The DPA provides very little discussion on their reasons for not
10 accepting this adjustment other than lumping it in with all of the adjustments that
11 DPA Witness Cotton claims should be rejected because they are outside of the test
12 period (refer to Mr. Cotton's testimony on page 14-15).

13 **25. Q: Do you agree with Staff Witness Mullinax and DPA Witness Cotton on this**
14 **issue?**

15 A: No. Company Witness Ernest Jenkins, PHI Vice President, People
16 Strategy and Human Resources (PS&HR), is submitting Rebuttal Testimony
17 addressing the specifics of the work performed by the Company's benefit
18 consultant, Lake Consulting and providing support for the inclusion of this
19 adjustment. I will address the ratemaking and why this adjustment should be
20 included.

21 **26. Q: How has this been treated in the past?**

22 A: As I noted before, the Company's recent gas base rate case (Docket No.
23 06-824) included an adjustment to increase employee benefits to reflect a

1 reasonably known and measurable expense level for the rate effect period. Both
2 Staff and the DPA, reflected an increase in benefit expense in its determination of
3 the Company's revenue requirement in that case.

4 Besides the treatment followed by this Commission in the past, the
5 Maryland Public Service Commission (MPSC) just recently allowed the same
6 adjustment in MPSC Case No. 9192 Order No. 83085. The MPSC found that the
7 Company's adjustment for increases in benefit costs was supported by an
8 independent study and that the costs were at the lower end of the expected range
9 of cost increases.

10 **27. Q: What is your recommendation regarding the appropriate ratemaking**
11 **treatment for the increase in employee benefit expense?**

12 **A.** The Commission should approve the Company's adjustment for the
13 employee benefit increase. Company Witness Jenkins has provided support for the
14 reasonableness of its estimate. To not allow this requested increase would be
15 inconsistent with prior Commission decisions and would not allow the Company
16 an opportunity to earn its authorized rate of return during the rate effective period.

17 **Adjustment No. 4, Uncollectible Expenses**

18 **28. Q: What is Staff's position on Uncollectible Expenses?**

19 **A:** Since uncollectible expense is trending upward as shown in my Direct
20 Testimony mostly due the economic times that we are all facing, I had proposed to
21 use an estimate of the level for the 12 months ending December 31, 2009. Staff
22 Witness Mullinax rejected my proposal and instead recommended that the
23 uncollectible expense be normalized using a three-year average consistent with the

1 treatment afforded this issue in Docket No. 05-304. She states that if a three-year
2 normalization is appropriate for a downward trending item, like storm restoration
3 expense, then it should also be applied to an upward trend such as uncollectible
4 expense.

5 **29. Q: Do you agree with the Staff position on this issue?**

6 A: As Ms. Mullinax points out, a three-year normalization is consistent with
7 past Commission treatment and I will adopt the Staff's position on this
8 adjustment. I have included an adjustment to reflect a three-year average using
9 the actual uncollectible amounts for the last three years as detailed below:

| | |
|--------------------------------|-------------|
| 10 12 months ending March 2007 | \$ 829,997 |
| 11 12 months ending March 2008 | \$1,727,364 |
| 12 12 months ending March 2009 | \$2,154,812 |
| 13 Three-year Average | \$1,570,718 |

14 **30. Q: What is the DPA's position on uncollectible expense?**

15 A: DPA Witness Cotton did not accept the Company's proposed estimate of
16 uncollectible expense and instead uses the test period amount.

17 **31. Q: Do you agree with DPA's position on Uncollectible Expenses?**

18 A: I am now accepting the Staff use of a three-year average which is
19 consistent with past Commission precedent. While the DPA's use of the test
20 period amount would actually produce a higher revenue requirement increase and
21 be more reflective of the expense associated with the rate effective period, the use
22 of following past Commission practice for this issue should again be followed.

Adjustment No. 8, OPEB Expense

1
2 **32. Q: Please explain your adjustment for OPEB expense increases.**

3 **A:** Using the method approved by this Commission in Docket No. 05-304, I
4 adjusted the test period level of OPEB expense to the level provided by the
5 Company's independent actuary as stated on Page 15 of my Direct Testimony.
6 This approach develops a representative expense level for the rate effective
7 period. This approach is also consistent with both Staff's and DPA's position in
8 Docket No. 05-304.

9 **33. Q: Did Staff and DPA agree with your adjustment in this proceeding?**

10 **A:** Staff accepts the Company's adjustment; however, DPA does not based on
11 its failure to recognize reasonably known and measurable changes to make the test
12 period representative of the rate effective period as explained by DPA Witness
13 Cotton on page 32 of his Direct Testimony.

14 **34. Q: Do you agree with Staff's and DPA's position on OPEB?**

15 **A:** I agree with Staff's position on OPEB expense; however, I do not agree
16 with DPA's position. The Commission precedent for treatment of OPEB expense
17 is based on adjusting test period OPEB expense to the current level provided by
18 the Company's independent actuary to reflect an appropriate expense level that is
19 representative of the rate effective period. This method for calculating OPEB
20 expense is consistent with the Commission precedent of adjusting test period
21 expenses for known and measurable changes outside the test period and the
22 Commission should again continue to use the results of the Company's
23 independent actuary to establish OPEB expenses for the rate effective period.

Adjustment No. 9, Pension Expense

35. Q: Please explain your proposed adjustment for Pension expense increase and explain the difference between your adjustment and the ratemaking treatment being proposed by Mr. Ziminsky for the recovery of the Pension deferred amount.

A: On Page 16 in my Direct Testimony, I proposed an adjustment to adjust the Company's booked pension expense to reflect the most current actuarial report. This is consistent with the filing in the Company's last base rate filing, Docket No. 05-304. This is also the method used in the adjustment to establish the proforma level of OPEB expense.

Company Witness Ziminsky's Rebuttal Testimony addresses the recovery of the pension-related amount representing the difference between the 2009 actual Delaware Electric Distribution-related pension expense incurred by the Company and the amount of pension expense that it recovered in base rates during 2009.

36. Q: What is the Staff's and DPA's position on pension expense?

A: Both parties differ from the Company's position. Staff accepts the use of the actuarial pension expense estimate; however, Staff Witness Mullinax included Staff Witness Smith's recommended adjustment on Page 18 of her Direct Testimony. As shown on Appendix B - Schedule RCS-1 of Staff Witness Smith's Direct Testimony, his adjustment represents a normalized allowance of pension expense based on a two-year average using 2008 and 2009 expense levels.

1 At page 30 of his Direct Testimony, DPA Witness Cotton rejects the
2 Company's proposed adjustment based on his continued opposition to recovery of
3 reasonable known and measurable changes.

4 **37. Q: Do you agree with Staff's position on this matter?**

5 A: No. Staff Witness Smith's proposal to use a two-year average for
6 computing a normalization allowance for pension expense conflicts with the
7 Commission precedent of using the latest annual expense forecasted by the
8 independent actuary. The Commission should continue to use the results of the
9 Company's independent actuary to establish pension expenses for the rate
10 effective period.

11 **38. Q: On pages 14-16 Mr. Smith discusses DPL's historical pension**
12 **expense/income. What is your expectation of DPL's future pension expense?**

13 A: The large actuarial loss from 2008 is amortized through annual pension
14 expense based on the average future working lives of the employees in the plan.
15 Therefore, that loss will be reflected in pension expense for the next 10 years.
16 Although in 2009 the markets recovered somewhat from the performance in 2008,
17 the small gain did not offset the large 2008 loss. Further, the discount rate
18 declined in 2009, adding to the loss to be amortized. Although 2010 pension
19 expense will be slightly lower than 2009, it will not be back to historical levels for
20 many years.

1 **39. Q: Is it appropriate to average 2008 and 2009 pension expense as recommended**
2 **by Mr. Smith on page 19 of his testimony?**

3 A: Absolutely not. As I just mentioned, while we do not anticipate the high
4 2009 pension expense level to continue into the future, the 2010 and beyond
5 pension expense will continue to reflect the 2008 loss, which is known and
6 measurable and should not be ignored or denied. Any averaging of historical
7 expense is inappropriate in this instance since more recent data is available to
8 measure rate effective period costs. A reasonable estimate of the 2010 pension
9 expense will be known before the end of these proceedings. Although I do not
10 support Staff Witness Smith's two-year averaging position on pension expense, a
11 more reasonable approach would be to average the 2009 and 2010 results, if any
12 averaging of pension expense is to be considered. The use of 2009 and 2010
13 results would be more reflective of pension expense over the rate effective period
14 than Staff Witness Smith's use of 2008 and 2009 results for his proposed average.

15 **40. Q: Do you agree with DPA's position on this matter?**

16 A: DPA again adheres to its opposition to recognizing reasonably known and
17 measurable changes to make the test period representative of the rate effective
18 period despite the fact that the amount used in the Company's proposed
19 adjustment is based on the Commission precedent of using known and measurable
20 changes as forecasted by the independent actuary to the Company's test period
21 pension expense. The Commission should continue to use the results of the
22 Company's independent actuary to establish pension expenses for the rate
23 effective period.

1 Adjustment No. 11, Storm Restoration Expense Normalization

2 **41. Q: Please describe your adjustment to normalize Storm Restoration expense.**

3 A: Due to the potentially volatile nature of storms and the associated
4 restoration expense and to be consistent with the Commission's treatment in
5 Docket No. 05-304, I proposed an adjustment to normalize storm restoration
6 expense using a three-year average.

7 **42. Q: What is the DPA's and Staff's position on this adjustment?**

8 A: The Staff accepts this adjustment. Staff actually uses the treatment of a
9 three-year average for storm expense as support for their use of a three-year
10 average for uncollectible expense. Staff argues that the use of an average is just as
11 appropriate for a downward trend as it is for an upward trend. Again, DPA
12 Witness Cotton rejects this adjustment since the Company used an historical test
13 period. Mr. Cotton argues that the Company has not shown why the previous
14 year's amounts were higher than the current test period amount and states that
15 storm restoration expense is trending downward.

16 **43. Q: Do you agree with DPA Witness Cotton?**

17 A: No. As stated by Ms. Mullinax, this adjustment is consistent with
18 Commission precedent and using an average for this type of expense is
19 appropriate. Storm restoration expense for the past three years is as follows:

20 Delaware Distribution

| | | |
|----|--------------------------|-------------|
| 21 | 12 months ending 3/31/07 | \$8,195,939 |
| 22 | 12 months ending 3/31/08 | \$7,182,486 |
| 23 | 12 months ending 3/31/09 | \$6,040,282 |

1 As in prior cases, the test period is abnormally low compared to the prior
2 two years and a three-year average should be used. It is also interesting to note
3 that the DPA accepted a three-year normalization for storm expense in the last
4 electric case, Docket No. 05-304, where there was also a downward trend.

5 **44: Q: What is the trend in storm restoration expenses to date for 2010?**

6 **A:** To date, the Company has had to deal with three major storms this winter
7 season, which is unprecedented in recent years. While the effect of these recent
8 storms has not been included in the three year average used for normalization in
9 this proceeding, it displays why a normalization of volatile items such as storm
10 expense is appropriate. The expense associated with this storm will be included in
11 the normalization used in the Company's next base case proceeding. These recent
12 winter storms support the Commission's practice of normalizing storm restoration
13 expenses and the Hearing Examiner and the Commission should accept the
14 Company's and Staff's adjustment for storm expense.

15 **Adjustment No. 13, Cost Accounting Manual Audit**

16 **45. Q: Did you make an adjustment associated with the Commission's mandated**
17 **Cost Accounting Manual (CAM) audit?**

18 **A:** Yes. On August 18, 2009, the Commission authorized the Staff to engage
19 Liberty Consultants to perform an audit of the CAM as part of this rate
20 proceeding.

21 **46. Q: Did the Staff object to this adjustment?**

22 **A:** No. Staff Witness Mullinax accepted this adjustment.

1 **47. Q: What is the DPA's position on this adjustment?**

2 A: DPA Witness Cotton does not question with the amount of the expense
3 but opposes it merely because it is outside the Company's test period.

4 **48. Q: Please comment on DPA's position.**

5 A: This is another good example of why the Commission should not follow
6 the DPA's position of failing to recognize reasonably known and measurable
7 changes to make the test period representative of the rate effective period. In this
8 example, the CAM audit was ordered by the Commission. This audit is a known
9 event and will not impact volumes of sales or revenues. This adjustment is
10 accepted by the Staff and should be approved by the Commission.

11 **Adjustment No. 14, Energy Advisors**

12 **49. Q: Please explain your adjustment for the costs of new Energy Advisors.**

13 A: I included an adjustment to reflect an additional 23 full time employees at
14 the Company's call center. The objective is to have energy advisors and specialist
15 available to assist in education efforts and answering questions as the State moves
16 forward with its energy goal of reducing electric energy use by 15% by 2015.

17 **50. Q: What is the Staff's position regarding these Energy Advisors?**

18 A: Staff allows an adjustment for 13 full time employees who will be either
19 hired, or in the process of being hired, by March 1, 2010.

20 **51. Q: Please comment on the Staff's position.**

21 A: I agree with Staff. These positions are reasonably known and measurable
22 and should be allowed for ratemaking purposes. I recommend that the

1 Commission accept the Staff's updated adjustment and reflect the 13 positions in
2 the determination of revenue requirements.

3 **52. Q: What is the DPA's position on this matter?**

4 **A:** As with the other post test period adjustments, DPA Witness Cotton
5 rejected this adjustment. Mr. Cotton does not believe that these additional energy
6 advisors are needed and notes that the employees will not be hired until sometime
7 in 2010.

8 **53. Q: Please comment on the position of the DPA.**

9 **A:** DPA's position should be rejected. As the Staff recognizes, these
10 positions are important in assisting the State in meeting its energy reduction goals
11 and educating customers regarding the way their rates will be determined. These
12 positions are reasonably known and measurable and do not drive additional
13 volumes of revenues. Just the opposite, these positions will actually help
14 customers to reduce their energy usage. To disallow the Company an adjustment
15 for a reasonably known and measurable cost increase that will actually be used to
16 reduce the Company's revenues is not only one-way ratemaking but it is short-
17 sighted as well. Moreover, these will be full time "green economy" jobs that will
18 benefit customers, the economy, and the environment. Such jobs are needed by
19 both the State and the region now more than ever.

20 In contrast to Mr. Cotton, DPA Witness Crane states on page 38-39 of her
21 Direct Testimony that the biggest challenge to implementation of the modified
22 fixed variable rate design will be customer education, and that the Company needs
23 to have a comprehensive education program and adequate resources in place to

1 address the many inquiries and complaints from customers.
2 As noted by Company Witness Janocha, the Company is developing a
3 comprehensive education program. These additional positions will be a critical
4 part of that educational effort. Their objective will be to assist customers with
5 their energy questions including how to reduce energy usage by using AMI-
6 sourced data and how the new rate design will help. The DPA recommends that
7 the Company demonstrate that adequate resources are in place to address our
8 customers' energy questions and then rejects an adjustment to recover the costs
9 for these same resources.

10 **Adjustment No. 18, Reliability Plant Closing through July 2009**

11 **54. Q: Please explain the Company's adjustment for reliability plant closing for the**
12 **period April through July 2009.**

13 A: As approved by the Commission in Docket No. 05-304, this adjustment
14 reflects the annualization of reliability plant added to plant during the test period
15 through July 2009. This adjustment also reflects the removal of the associated test
16 period level of CWIP and AFUDC and also reflects the annualization of any
17 retirements to plant that occurred during this period.

18 **55. Q: What are the parties' positions on this issue?**

19 A: Staff accepted this position in their revenue requirement determination.
20 DPA did not. DPA Witness Cotton on page 18 once again expresses his concern
21 that any adjustment beyond the test period is inappropriate. He further claims that
22 that the Company did not provide sufficient detail regarding these reliability plant
23 additions.

1 **56. Q: Do you agree with DPA Witness Cotton's comments?**

2 A: No. Once again, Mr. Cotton's position conflicts with this Commission's
3 rules that allow for known and measurable adjustments to the test period so that
4 the test period is representative of the rate effective period. Company Witness
5 Gausman demonstrates that these projects support current load and are needed to
6 maintain the reliability of the distribution system. These additions to plant are
7 known, measurable and are providing service to current customers, well before the
8 beginning of the rate effective period. To not allow these reliability projects to be
9 included in rate base would indeed cause a mismatch of benefits received by
10 customers to the Company receiving an appropriate and timely recovery of this
11 investment.

12 **57. Q: Did the Company provide details to the parties of the reliability plant**
13 **closings?**

14 A: Yes. In the Company's workpapers, Adj. 18.3 provides a listing of each
15 reliability project and the associated actual plant additions by month. Company
16 Witness Gausman details in his Direct Testimony the criteria used for plant to be
17 used in this adjustment, identical to the criteria employed in the reliability plant
18 closing adjustment approved by the Commission in Docket No. 05-304. Nothing
19 has changed.

1 **58. Q: Should the Commission continue to acknowledge this reliability plant**
2 **adjustment in its determination of revenue requirements?**

3 A: Yes. As supported by the Company and the Staff, the inclusion of this item
4 is known and measurable and is precisely the type of adjustment that the
5 Commission should include in its determination of revenue requirement.

6 **Adjustment No. 19, Reliability Plant Closings August to December 2009**

7 **59: Q: Please explain your adjustment to reflect additional plant closing through**
8 **December 2009.**

9 A: I proposed the inclusion of reliability plant additions that were placed into
10 service from August 2009 through December 2009. I also matched with these
11 reliability plant additions the removal from plant of any retirements that was
12 experienced during this time period.

13 **60. Q: What are the parties' position on this issue?**

14 A: Neither Staff or the DPA accepted this position. Mr. Cotton once again
15 expresses his concern that any adjustment beyond the test period is inappropriate.
16 He further claims that that the Company did not provide sufficient detail regarding
17 these reliability plant additions. Ms. Mullinax dismisses this adjustment because
18 these projects are too far past the end of the test period.

19 **61. Q: Please comment on their positions.**

20 A: Company Witness Gausman demonstrates that these projects support
21 current load and are needed to maintain the reliability of the distribution system.
22 These actual additions to plant are known, measurable and are providing service
23 to current customers, well before the beginning of the rate effective period. Detail

1 related to these projects, including updates to actual information, have been
2 provided to all parties. To not allow these reliability projects to be included in rate
3 base would indeed cause a mismatch of benefits received by customers to the
4 Company receiving an appropriate and timely recovery of this investment.

5 **62. Q: Did the Company provide to the parties a details of the reliability plant**
6 **closings?**

7 **A:** Yes. In the response to Staff Data Request No. PSC-A-240 (attached as
8 Schedule WMV R-3), the Company provided a listing of each reliability project
9 and the associated actual plant additions by month for the August 2009 through
10 December 2009 time period. Once again, Mr. Gausman details in his testimony
11 the criteria he selected for plant to be used in this adjustment, which are identical
12 to the criteria employed in the reliability plant closing adjustment approved by the
13 Commission in Docket No. 05-304.

14 **63. Q: Have any other of PHI Commissions reviewed the inclusion of reliability**
15 **plant closings in its determination of distribution revenue requirements?**

16 **A:** Yes. The Maryland Public Service Commission recently reviewed this
17 item in Case No. 9192. Maryland and Delaware's policies are extremely similar.
18 Both Commissions allow known and measurable adjustments to be included in
19 the rate making formula in the determination of the revenue level required for the
20 rate effective period. As the Commission states on page 9 of Order No. 83085:

21 In this instance, we find that the reliability construction costs the Company
22 seeks to recover are known and measurable and will not generate any
23 additional revenue. The work already has been done and the costs are
24 locked in, and we are comfortable that these projects will not generate or
25 enhance the Company's revenues. Based on the specific facts before us,

1 there is no cost-revenue mismatch here, and therefore the test year and
2 post-test-year reliability construction expenses through September 2009
3 are properly included in rate base.
4

5 **64. Q: Can you summarize your position on the inclusion of the August 2009**
6 **through December 2009 reliability plant additions?**

7 **A:** Yes. The inclusion of this item is known and measurable and is precisely
8 the type of adjustment that the Commission should include in its determination of
9 revenue requirement. No party has contested that these additions were needed for
10 system reliability. No party has contested that these additions are serving current
11 load. No party has asserted that these additions are not known and measurable and
12 serving current customers. The actual reliability plant additions should be
13 included in rate base to properly recognize the value that customers are currently
14 realizing and will realize during the rate effective period.

15 **CWIP and AFUDC**

16 **65. Q: Did you include CWIP and AFUDC in the Company's rate base ?**

17 **A:** Yes, I did.

18 **66. Q: Briefly describe your understanding of the recommendations provided by**
19 **DPA Witness Cotton and Staff Witness Mullinax regarding CWIP and**
20 **AFUDC.**

21 **A:** Both recommend rejecting the Company's proposed inclusion of CWIP in
22 rate base. Mr. Cotton rejects the inclusion because the CWIP is not used and
23 useful and was not "vetted" by the time the Company had planned to file its case.
24 Ms. Mullinax also claims that CWIP does not represent facilities that are used or
25 useful in the provision of utility service.

1 **67. Q: Do you agree with Staff Witness Mullinax's and DPA Witness Cotton's**
2 **recommendation that CWIP be removed from rate base in this proceeding?**

3 **A:** No, I do not. As explained in my Direct Testimony, CWIP should be
4 included in rate base with AFUDC included as an offset to earnings.

5 The Staff and DPA have not presented any new arguments. Pages 37-39
6 of my Direct Testimony explain why CWIP should be included in rate base and I
7 specifically address the issues raised by the Hearing Examiner and by the
8 Commission in the last case, Docket No. 05-304. As I stated in my Direct
9 Testimony, many of these projects are not eligible to accrue AFUDC because they
10 are technically complete and are providing service to customers.

11 **68. Q: Do you have anything else to add supporting your position on CWIP?**

12 **A:** Yes, I do. In Docket No. 91-20, Order No. 3389, the Commission
13 permitted Delmarva to include CWIP in its test period rate base, which also
14 included a partial offset in the form of an AFUDC income adjustment. Further,
15 the Commission permitted the Company to include CWIP in its prior cases in
16 Docket No. 82-22 and Docket No. 86-24. There is a longstanding practice for
17 including CWIP, with corresponding AFUDC offsets, in calculating the revenue
18 requirement for the Company.

19 The Company's revenue requirement in this case does include CWIP with
20 the applicable offset for AFUDC income.

21 **69. Q: Does all CWIP accrue AFUDC?**

22 **A:** No. As I stated on page 37 of my Direct Testimony, the Company follows
23 FERC guidelines governing when AFUDC is accrued on eligible CWIP.

1 The Commission in DPSC-Docket 91-20, Order No. 3389, also accepted
2 that not all CWIP will accrue AFUDC:

3 We agree with the Hearing Examiner that this record supports a decision
4 to allow the Company to include CWIP in rate base, with a corresponding
5 AFUDC offset to income. While we acknowledge that the AFUDC being
6 included in the Company's test period income does not match precisely
7 with the CWIP being included in test period rate base, we are satisfied that
8 the asymmetry results primarily from the inclusion of the CWIP for the
9 short-term projects which will be transferred to plant in service within the
10 rate effective period, and which are not presently accruing AFUDC.
11

12 **70. Q: Should CWIP amounts be included in rate base and receive a current**
13 **return?**

14 **A:** Yes. Distribution projects are made up of thousands of work requests/work
15 orders that, on an annual basis, account for the on-going additions to rate base in
16 the form of new assets which comprise incremental capital units of property.
17 These assets are characterized as having short construction durations and, on a per
18 unit basis, a low cost when compared to major plant additions such as new
19 substations. As stated earlier, the Company follows the appropriate procedure for
20 accruing AFUDC at the work request/work order level. Many of these distribution
21 projects collect no AFUDC and the majority of them that do, accrue it for only a
22 few months.

23 The risk that these new distribution projects will not result in new units of
24 property approaches zero. These new assets are closing to plant on a daily basis.
25 The majority of this work is related to reliability, existing load and new customer
26 service connections. A portion of these costs represent General plant, which, for
27 the most part, is also characterized as lower cost, short schedule units of capital

1 property. It is appropriate to afford rate base treatment to these projects which are
2 now either in service, serving customers with known and measurable costs or will
3 very soon be in service, serving customers with known and measurable costs.

4 **Adjustment No. 20, Advanced Metering Infrastructure (AMI)**

5 **71. Q: Did the Company include an adjustment for AMI?**

6 A: Yes. Starting on page 30 of my Direct Testimony, I proposed a three-year
7 amortization to recover the costs incurred through July 2009 in developing the
8 infrastructure to support the rollout of AMI.

9 **72. Q: What is the Staff's position on AMI?**

10 A: Ms. Mullinax does appropriately include an adjustment to recognize the
11 investment made to date for the diffusion of AMI. The only difference between
12 the Company's adjustment and the Staff's adjustment is the amortization period.
13 Ms. Mullinax is recommending a 15-year amortization with the unamortized
14 balance included in rate base rather than the three-year amortization that I
15 recommended. Ms. Mullinax's support for this period is based on the expected
16 service lives of the AMI meters.

17 **73. Q: Do you agree with Staff Witness Mullinax's position regarding AMI?**

18 A: Based on the useful lives of the AMI meters, I have agreed to the Staff's
19 recommendation of a 15-year amortization with the unamortized balance included
20 in rate base.

1 **74. Q: Did the DPA accept this adjustment?**

2 **A:** No. The DPA decided not to recognize the costs of this Commission
3 approved investment, an investment that will help the State meet its energy
4 reduction goals. Mr. Cotton bases his recommendation on a misreading of the
5 Commission's Order No. 7420, pages 25-26. These specific pages of the Hearing
6 Examiner's finding were modified by the Commission's Order on page 4 of Order
7 No. 7420. The Commission authorized the Company to establish a regulatory
8 asset associated with the recovery of the AMI investment in that Order. The Order
9 also makes it clear that the Commission, Staff and other parties remained free to
10 challenge the level of any aspects of the asset's recovery in rates.

11 The Company is requesting in this case that the costs deferred as part of
12 the regulatory asset approved and established by the Commission's Order No.
13 7420 be afforded ratemaking treatment in this proceeding. I specifically identified
14 the costs as of July 31, 2009 for use in this proceeding and as I state on page 30 of
15 my Direct Testimony, the Company will continue to defer incremental costs,
16 along with savings, to be reviewed in the context of the next proceeding subject to
17 all parties' ability to challenge the costs. Mr. Cotton does not challenge any of the
18 requested costs that the Company is seeking recovery of in this proceeding, just
19 that they are outside of the test period and should not be considered until the next
20 rate case. These AMI costs represent a significant capital commitment for the
21 Company and rejection of this adjustment is not appropriate, especially
22 considering the State's ambitious goals relating to energy reduction. The AMI
23 implementation will assist in meeting these objectives.

1 **Adjustment No. 25, Credit Facilities' Costs**

2 **75. Q: Please describe the Company's proposed adjustment for credit facilities**
3 **costs.**

4 A. My proposed adjustment recognizes the test period cost of the Company's
5 share of the PHI credit facility as described on Page 33 of my Direct Testimony.
6 The costs related to the credit facility include both an amortization of the start-up
7 costs as well as annual facility commitment fees. In the Company's accounting
8 records, these costs are recorded as interest expense yet they are not included in
9 the Company's embedded cost of debt and thus are not included in base rates. The
10 credit facility allows the Company to borrow in the commercial paper market and
11 has been the Company's primary source of short-term liquidity for years.

12 **76. Q: What is the Staff's and DPA's position on credit facilities costs?**

13 A: Staff accepts this adjustment; however, DPA does not. As Mr. Cotton
14 notes on page 37 of his Direct Testimony, DPA's position is that the Credit
15 facility is either used to supplement cash working capital or to support the
16 Company's overall capital structure. Mr. Cotton suggests that the Company is
17 already fully compensated for its cash working capital through its Cash Working
18 Capital Lead/Lag study claim in this case. In addition, Mr. Cotton notes that the
19 Company only has long-term debt in its capital structure, which excludes items
20 such as short-term debt or the credit facility.

21 **77. Q: Do you agree with the parties' positions on this matter?**

22 A: I agree with Staff's position on credit facilities costs; however, I do not
23 agree with DPA. DPA fails to recognize that these costs are not being recovered in

1 rates. As evidenced in Docket No. 05-304, the Commission's precedent is to
2 exclude short-term debt from the capital structure, so the credit facility costs
3 would not be recovered through those cost rates. The recovery of these credit
4 facility costs are not part of the Cash Working Capital Lead/Lag study, which only
5 recovers the return on the time lag between the payment of interest and the receipt
6 of customer payments.

7 **78. Q: Staff Witness Mullinax makes reference to the District of Columbia Public**
8 **Service Commission (DC Commission) Formal Case No. 1076 regarding**
9 **Service Company issues. Did the DC Commission also address the Credit**
10 **facility in Formal Case No. 1076?**

11 **A:** Yes. In Formal Case No. 1076, the DC Commission Order No. 15710
12 accepted an adjustment to recognize the costs associated with Pepco Credit
13 facility, the same as requested in this proceeding. The DC Commission
14 recognized the importance of Pepco's ability to raise capital on reasonable terms.
15 Similar to precedent of this Commission, the DC Commission excludes short-
16 term debt from utility capital structures. The Commission should accept the
17 Company's and Staff's position on Credit Facilities.

18 **SERP**

19 **79. Q: Please explain Staff's proposed adjustment related to SERP.**

20 **A:** SERP expense is included in the Company's cost of service based on
21 precedent in this jurisdiction. Mr. Cotton accepts the Company's position.
22 Witness Mullinax proposes the removal of SERP. Company Witness Jenkins

1 addresses SERP as part of the overall compensation package in his Rebuttal
2 Testimony.

3 **Executive Incentive Compensation**

4 **80. Q: Please explain your proposed adjustment related to Executive Incentive**
5 **Compensation.**

6 A: As described on Page 16 of my Direct Testimony, I removed the test
7 period level of expense, (\$2,159,000), associated with executive incentives. While
8 these "compensation at risk" payments are an integral part of the Company's total
9 executive compensation, I excluded such amounts in light of the current economic
10 environment.

11 **81. Q: What are the other parties' positions in regard to your proposed Executive**
12 **Incentive Adjustment?**

13 A: Both parties accept my proposed adjustment; however, Ms. Mullinax
14 includes an additional \$709,096 adjustment on Page 24 of her Direct Testimony
15 based on other executive compensation amounts shown in the 2008 PHI Proxy
16 Statement. Her adjustment includes items such as Long-Term Incentive Plan,
17 Non-Equity Compensation, Dividends from Restricted Stock, Common Stock,
18 Tax Preparation Fees, Financial Planning Fees, Club Dues, Spousal Travel and
19 Employment Transition Expense.

1 82. Q: Do you agree with the other parties' positions in regard to your proposed
2 Executive Incentive Adjustment?

3 A: Company Witness Jenkins will address Witness Mullinax's issue from the
4 more global perspective of how the Company's total compensation package is
5 structured. I will address the ratemaking implications.

6 Ms. Mullinax's additional adjustment essentially is a double-count of
7 expenses already removed in my proposed adjustment. For example, the largest
8 individual expense items (items such as Long-Term Incentive Plan, Non-Equity
9 Compensation and Common Stock) which comprise the majority of her
10 adjustment are part of my proposed adjustment to remove executive incentive
11 compensation. Ms. Mullinax's adjustment, if accepted, should be the removal of
12 \$28,236 of expense (as shown in Schedule WMV R-4) rather than the \$709,096
13 she proposed in her Direct Testimony. Staff Witness Mullinax's adjustment
14 should not be accepted.

15 Non-Executive Incentive Compensation

16 83. Q: Please explain your proposed treatment of Non-Executive Incentive
17 Compensation.

18 A: On Page 16 of my Direct Testimony, I included the test period level of
19 non-executive incentive compensation in the Company's cost of service for this
20 filing. While the Commission excluded incentive costs other than those related to
21 achieving safety, reliability and similar goals as part of its decision in Docket No.
22 05-304, I requested that the Commission reconsider its decision in this
23 proceeding.

1 84. Q: What are the other parties' positions on your proposed treatment of Non-
2 Executive Incentive?

3 A: Neither party accepted my proposed treatment of these expenses.

4 85. Q: Do you agree with the other parties' position in regard to your treatment of
5 Non-Executive Incentive Adjustment?

6 A: No. Company Witness Jenkins addresses the Company's strategy in
7 designing the compensation and benefit programs at PHI. He shows that as a key
8 part of the total compensation paid to employees, these incentives aid in the
9 motivation of employees to work safely, promote efficiency and focus on critical
10 processes such as diversity, reliability and our customers' needs.

11 86. Q: Are there other cost recovery alternatives such as a normalized allowance
12 which could be used in regard to non-executive incentive expense?

13 A: Yes, the use of a normalized level of non-executive incentive expense
14 would be an appropriate way to mitigate the variability of incentive expense
15 within a given test period. The use of a three-year normalization would perhaps
16 provide a better representation of typical incentive levels as opposed to the
17 fluctuations related to potentially having a test period level of incentive expense
18 be too high or too low as compared to a normalized level. In Case No. 9192, the
19 Maryland Commission approved a three-year normalization recommended by the
20 Office of People's Counsel for non-executive incentive expense. This same
21 incentive normalization position was proposed by DPA in Docket No. 05-304. I
22 propose a three-year normalized of non-executive incentive expense for both
23 safety and non-safety related goals be used in this proceeding.

1 Wilmington Franchise Tax

2 87. Q: Please discuss Ms. Mullinax's proposal for recovery of Wilmington Franchise
3 Tax related to the change in revenue resulting from this case.

4 A: Ms. Mullinax proposes a departure from past Commission precedent for
5 the Wilmington Franchise Tax associated with the revenue change resulting from
6 the Commission's decision in this proceeding. The revenue conversion factor has
7 previously included a component for Wilmington Franchise Tax. Ms. Mullinax
8 supports the position that the Company should recover this item on a test period
9 level rather than on a prospective level.

10 88. Q: Do you agree with Ms. Mullinax's position?

11 A: No. The City of Wilmington Franchise Tax is a function of revenues
12 received. It is no different than state or federal income tax. If the Commission
13 approves a revenue change, Wilmington Franchise Tax will also change. The
14 Commission should continue to include the effect of the Wilmington Franchise
15 Tax in its computation of any ordered revenue change from this proceeding.

16 Revenue Requirement Summary

17 89. Q: Can you summarize the adjustments that are included in this filing?

18 A: Yes. Schedule WMV R-1 displays the filed positions of all of the parties
19 in this proceeding. In addition, I have included the Company's rebuttal position.
20 As indicated in that Schedule, the Company has accepted several of the proposed
21 adjustments suggested by Staff. The Company has also reflected the effect of
22 these changes on its interest synchronization and cash working capital adjustment.

1 90. Q: Does this conclude your testimony?

2 A: Yes, it does.

| (1) Line No. | (2) Item | (3) Company Filing | | (4) Rate Base | | (5) DPSC Staff Filing | | (6) Rate Base | | (7) DPA Filing | | (8) Rate Base | | (9) Company Rebuttal | | (10) Rate Base | |
|--------------------|--|-----------------------|--|---------------------|--|--------------------------|--|---------------------|--|-------------------|--|---------------------|--|-------------------------|--|----------------------|--|
| | | Earnings | | Earnings | | Earnings | | Earnings | | Earnings | | Earnings | | Earnings | | Earnings | |
| 1 | Per Books - 12 m/e March 2009 | \$31,971 | | \$417,219 | | \$31,971 | | \$417,219 | | \$31,971 | | \$417,219 | | \$31,971 | | \$417,219 | |
| 2 | | | | | | | | | | | | | | | | | |
| 3 | Uncontested Adjustments by all Parties | | | | | | | | | | | | | | | | |
| 4 | 6 Remove Employee Association Expense | \$43 | | \$0 | | \$43 | | \$0 | | \$43 | | \$0 | | \$43 | | \$0 | |
| 5 | 10 Removal of Executive Incentive Compensation | \$1,145 | | \$0 | | \$1,145 | | \$0 | | \$1,145 | | \$0 | | \$1,145 | | \$0 | |
| 6 | 12 Postage Expense | (\$24) | | \$0 | | (\$24) | | \$0 | | (\$24) | | \$0 | | (\$24) | | \$0 | |
| 7 | 16 Reflect IRP Recurring Costs | (\$1,113) | | \$0 | | (\$1,113) | | \$0 | | (\$1,113) | | \$0 | | (\$1,113) | | \$0 | |
| 8 | 21 Amortization of Actual Refinancing Costs | (\$318) | | \$3,511 | | (\$406) | | \$3,945 | | (\$406) | | \$3,945 | | (\$406) | | \$3,945 | |
| 9 | 22 Wilmington Franchise Tax Adjustment | (\$35) | | \$0 | | (\$45) | | \$0 | | (\$45) | | \$0 | | (\$45) | | \$0 | |
| 10 | 23 Remove Post-80 ITC Amortization | (\$256) | | \$0 | | (\$256) | | \$0 | | (\$256) | | \$0 | | (\$256) | | \$0 | |
| 11 | 24 IOCD Adjustment | \$108 | | \$0 | | \$108 | | \$0 | | \$108 | | \$0 | | \$108 | | \$0 | |
| 12 | 26 Accrued OPEB Liability | \$0 | | (\$2,082) | | \$0 | | (\$2,082) | | \$0 | | (\$2,082) | | \$0 | | (\$2,082) | |
| 13 | | | | | | | | | | | | | | | | | |
| 14 | Sub-total After Uncontested Adjustments | \$31,521 | | \$418,648 | | \$31,423 | | \$419,082 | | \$31,423 | | \$419,082 | | \$31,423 | | \$419,082 | |

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|----------|--|----------------|-----------|-------------------|------------|------------|------------|------------------|-----------|
| Line No. | Item | Company Filing | | DPSC Staff Filing | | DPA Filing | | Company Rebuttal | |
| | | Earnings | Rate Base | Earnings | Rate Base | Earnings | Rate Base | Earnings | Rate Base |
| 1 | Uncontested Total from Page 1 | \$31,521 | \$418,648 | \$31,423 | \$419,082 | \$31,423 | \$419,082 | \$31,423 | \$419,082 |
| 2 | | | | | | | | | |
| 3 | Contested Adjustments | | | | | | | | |
| 4 | 1 Weather Normalization | (\$2,478) | \$0 | (\$1,822) | \$0 | (\$2,478) | \$0 | (\$1,822) | \$0 |
| 5 | 2 Regulatory Commission Expense Normalization | (\$187) | \$0 | (\$135) | \$0 | (\$187) | \$0 | (\$192) | \$0 |
| 6 | 3 Injuries and Damages Expense Normalization | (\$80) | \$0 | (\$80) | \$0 | \$0 | \$0 | (\$80) | \$0 |
| 7 | 4 Uncollectible Expense Normalization | (\$350) | \$0 | \$360 | \$0 | \$0 | \$0 | \$347 | \$0 |
| 8 | 5 Wage and FICA Expense | (\$335) | \$0 | \$0 | \$0 | (\$219) | \$0 | (\$794) | \$0 |
| 9 | 7 Proform Benefits Expense | (\$183) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$183) | \$0 |
| 10 | 8 Proform OPEB Expense | (\$418) | \$0 | (\$418) | \$0 | \$0 | \$0 | (\$418) | \$0 |
| 11 | 9 Proform Pension Expense | (\$3,365) | \$0 | (\$2,387) | \$0 | \$0 | \$0 | (\$3,692) | \$0 |
| 12 | 11 Storm Restoration Expense Normalization | (\$652) | \$0 | (\$652) | \$0 | \$0 | \$0 | (\$652) | \$0 |
| 13 | 13 Cost of Management Audit | (\$59) | \$0 | (\$59) | \$0 | \$0 | \$0 | (\$59) | \$0 |
| 14 | 14 Energy Expert Costs | (\$877) | \$0 | (\$479) | \$0 | \$0 | \$0 | (\$518) | \$0 |
| 15 | 15 Amortize IRP Deferred Costs | (\$710) | \$1,774 | (\$213) | \$2,023 | (\$710) | \$1,774 | (\$213) | \$2,023 |
| 16 | 17 Amortize RFP Deferred Costs | (\$862) | \$2,154 | (\$258) | \$2,455 | (\$862) | \$2,154 | (\$258) | \$2,455 |
| 17 | 18 Reliability Plant Closing Adjustment Apr 08 - Jul 09 | (\$455) | \$16,079 | (\$455) | \$16,079 | \$0 | \$0 | (\$455) | \$16,079 |
| 18 | 19 Actual Reliability Closings Aug 09 - Dec 09 | (\$166) | \$13,028 | \$0 | \$0 | \$0 | \$0 | (\$151) | \$15,522 |
| 19 | Remove CWIP-AFUDC | \$0 | \$0 | (\$253) | (\$13,311) | (\$360) | (\$23,102) | \$0 | \$0 |
| 20 | 20 Amortize AML-related Deferred Costs | (\$207) | \$518 | (\$41) | \$601 | \$0 | \$0 | (\$41) | \$601 |
| 21 | 25 Recover Credit Facilities Expense | (\$78) | \$160 | (\$78) | \$160 | \$0 | \$0 | (\$78) | \$160 |
| 22 | Remove SERP Expense | \$0 | \$0 | \$364 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 23 | Normalize Non-exec non-safety Incentive compensation Expense | \$0 | \$0 | \$1,153 | \$0 | \$1,153 | \$0 | \$305 | \$0 |
| 24 | Normalize Non-exec safety Incentive compensation Expense | \$0 | \$0 | \$128 | \$0 | \$128 | \$0 | \$64 | \$0 |
| 25 | Remove certain Officer Compensation Expense | \$0 | \$0 | \$421 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 26 | 27 Interest Synchronization | (\$306) | \$0 | (\$950) | \$0 | (\$1,054) | \$0 | (\$210) | \$0 |
| 27 | 28 Cash Working Capital | \$0 | \$240 | \$0 | \$451 | \$0 | \$240 | \$0 | \$208 |
| 28 | 2009 Pension Difference Amortization | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$1,065) | \$4,792 |
| 29 | | | | | | | | | |
| 30 | Total Contested Adjustments | (\$11,768) | \$33,953 | (\$5,854) | \$8,458 | (\$4,589) | (\$18,934) | (\$10,165) | \$41,840 |
| 31 | Adjusted Test Period | \$19,753 | \$452,601 | \$25,569 | \$427,540 | \$26,834 | \$400,148 | \$21,258 | \$460,922 |

Schedule WMV R-1
Page 3 of 3

Delmarva Power & Light Company
DPSC Docket No. 09-414
12 Months Ending March 31, 2009
(000's)

| (1) Line No. | (2) Item | (3) Company's Original Filing | (4) Staff's Filing | (5) DPA's Filing | (6) Company's Rebuttal |
|--------------------|----------------------------|-------------------------------------|--------------------------|------------------------|------------------------------|
| 1 | Pro Forma Rate Base | \$452,601 | \$427,540 | \$400,148 | \$460,922 |
| 2 | | | | | |
| 3 | Rate of Return | 7.97% | 6.70% | 6.43% | 7.97% |
| 4 | | | | | |
| 5 | Required Return | \$36,072 | \$28,645 | \$25,730 | \$36,735 |
| 6 | | | | | |
| 7 | Pro Forma Operating Income | \$19,753 | \$25,569 | \$26,834 | \$21,258 |
| 8 | | | | | |
| 9 | Return Deficiency (Excess) | \$16,319 | \$3,076 | (\$1,104) | \$15,477 |
| 10 | | | | | |
| 11 | Revenue Conversion Factor | 1.69246 | 1.69013 | 1.69246 | 1.69246 |
| 12 | | | | | |
| 13 | Required Rate Increase | \$27,620 | \$5,199 | (\$1,869) | \$26,195 |

PSC DOCKET NOS. 09-414/09-276T

**STAFF RESPONSES TO DELMARVA POWER & LIGHT COMPANY
DATA REQUESTS DIRECTED TO DONNA H. MULLINAX**

22. Is it Staff's position that the Company should amortize the final costs of this case over a five-year period? If not, please explain.

Response: No. The word 'amortized' on line 20 of page 12 of Ms. Mullinax's testimony should be "normalized" rather than "amortized." As the rest of the answer and Mrs. Mullinax's adjustment on Schedule DHM-4.2 make clear, Mrs. Mullinax normalized regulatory commission expense over five years.

Response Sponsor: Donna Mullinax

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S FOLLOW UP ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-240

Follow up to Data Request PSC-A-101:

- a. The Company did not adequately respond to parts c and d of this request. The request asks how, not who. Please provide the requested response.
- b. Please provide the list of projects, with actual in-service dates, that supports the attachment that updates adjustment 19 for actual reliability projects "technically complete," for the period August-October.
- c. Provide the same level of detail for the November and December 2009 actual "technically complete" reliability projects when they become available.

RESPONSE:

Mr. Gausman personally identified each reliability project that would be used by the Company in its filing. Company personnel then extracted relevant information related to those identified projects from the Company's asset management system. There is no identification of these projects in the asset management system labeling these projects as reliability. In the Company's asset management system, projects are identified by "project number".

Attached is an update to Adjustment 19, providing actual project information through December 2009. The detailed project information provides actual in-service dates.

**Delmarva Power
Delaware Distribution
August 2009 to December 2009 Reliability Closings**

| (1) Line No. | (2) <u>Item</u> | (3) \$ |
|--------------------|--|----------------------|
| 1 | Rate Base | |
| 2 | Plant in Service | |
| 3 | Reliability closings August 09 - December 09 | \$15,696,324 |
| 4 | Retirements August 09 - December 09 | <u>(\$5,984,869)</u> |
| 5 | Adjustment to Plant in Service | \$9,711,455 |
| 6 | | |
| 7 | Depreciation reserve | |
| 8 | Retirements August 09 - December 09 | (\$5,984,869) |
| 9 | Depreciation expense | <u>\$127,220</u> |
| 10 | Adjustment to Depreciation Reserve | (\$5,857,649) |
| 11 | | |
| 12 | Net Plant | <u>\$15,569,104</u> |
| 13 | | |
| 14 | Deferred Taxes | (\$46,983) |
| 15 | | |
| 16 | Total Rate Base | <u>\$15,522,120</u> |
| 17 | | |
| 18 | Earnings | |
| 19 | Depreciation Expense | |
| 20 | Reliability closings August 09 - December 09 | \$411,244 |
| 21 | Retirements August 09 - December 09 | <u>(\$156,804)</u> |
| 22 | Adjustment to Depreciation Expense | \$254,440 |
| 23 | | |
| 24 | State Income Tax | (\$42,245) |
| 25 | Federal Income Tax | (\$155,165) |
| 26 | Deferred State Income Tax | \$20,109 |
| 27 | Deferred Federal Income Tax | \$73,858 |
| 28 | | |
| 29 | Operating Expense | <u>\$150,997</u> |
| 30 | | |
| 31 | Operating Income | <u>(\$150,997)</u> |
| 32 | | |
| 33 | Total Earnings | <u>(\$150,997)</u> |
| 34 | | |
| 35 | Reliability Closings: | |
| 36 | August 2009 Actual | \$2,334,249 |
| 37 | September 2009 Actual | \$2,960,640 |
| 38 | October 2009 Actual | \$3,289,388 |
| 39 | November 2009 Actual | \$3,178,783 |
| 40 | December 2009 Actual | <u>\$3,933,265</u> |
| 41 | | \$15,696,324 |
| 42 | Retirements: | |
| 43 | August 2009 Actual | \$555,708 |
| 44 | September 2009 Actual | \$636,226 |
| 45 | October 2009 Actual | \$804,337 |
| 46 | November 2009 Actual | \$738,224 |
| 47 | December 2009 Actual | <u>\$3,250,374</u> |
| 48 | | \$5,984,869 |

Delmarva Power & Light Company
Electric Distribution Closings to Plant (Delaware Reliability)

Schedule WMV R-3

Page 3 of 3

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|------|---|---|-----------|-----------|-----------|-----------|-----------|
| Line | | | | | | | |
| No. | Project | Description | Aug-09 | Sep-09 | Oct-09 | Nov-09 | Dec-09 |
| 1 | RDLNEMG1 | Emergency Restoration Blanket - Christiana | 2,138 | - | - | - | - |
| 2 | RDLNMS1 | Misc. Distribution Improvement Blanket - Christiana | - | 3,897 | 19,141 | 20,592 | 11,180 |
| 3 | RDLNUP121 | Distribution Cable Replacements - Christiana | - | - | (6,810) | 767 | - |
| 4 | RDLNUP56 | Tenth St Sub Convert 4kV TO 12kV | - | - | 133,879 | - | 202,746 |
| 5 | RDSNEMG1 | New Castle Substation Emergency | 125,894 | 13,542 | 378,787 | - | - |
| 6 | RDSNIR18 | New Castle Subst Misc Equipment Retirement | - | - | - | 21,144 | - |
| 7 | RDSNIR3 | Substation Planned Improvements Dist | 128,052 | - | - | - | - |
| 8 | RDSNUP121 | New Castle Region Subst SPCC Plans | - | - | 229,421 | 1,751 | - |
| 9 | UDLBLM7M | MI Feeder Load Relief | 1,304 | 393,483 | 417,207 | 658,870 | 742,945 |
| 10 | UDLBRM3M1 | MI Emergency Replacement | 284,938 | 225,764 | 213,188 | 330,726 | 27,976 |
| 11 | UDLBRM4MA | MI Misc Distrib Improvment | 148,762 | 25,464 | 27,635 | 12,928 | 109,058 |
| 12 | UDLBRM4MC | MI - Replace Deteriorated BD Cable | 47,214 | 22,645 | 55,391 | 18,095 | 359,338 |
| 13 | UDLBRM4MD | MI-Planned BD Cable Replacement | - | - | - | - | 36,058 |
| 14 | UDLBRM4MJ | MI Recloser Replacement | 54,941 | 1,623 | 55,427 | - | 52,591 |
| 15 | UDLBRM4MU | MI Install Tree Wire | - | 1,799,564 | 40,389 | 6,468 | - |
| 16 | UDLNLM7C | Feeder Load Relief - Christiana | 109,779 | 1,904 | 109 | 250,127 | 12,182 |
| 17 | UDLNRM21N | NC Reg: Misc Reliability Improvemen | 10,307 | 2,260 | 4,564 | 3,173 | 31,220 |
| 18 | UDLNRM3C1 | Emergency Restoration - Christiana | 835,587 | 37,696 | 754,863 | 1,237,735 | 1,261,297 |
| 19 | UDLNRM4CA | Christiana Misc. Improvement Blanke | 108,066 | 158,400 | 214,366 | 173,912 | (492) |
| 20 | UDLNRM4CC | Christiana - Replace Deteriorated C | - | - | - | 2,688 | 89,180 |
| 21 | UDLNRM4CF | Priority Circuit Imprts - Christiana | 99,202 | 154,692 | 51,307 | 84,063 | 20,352 |
| 22 | UDLNRM4CJ | CH Distr- Replace Line Reclosers | 48,057 | 6,882 | 9,257 | 160 | - |
| 23 | UDLNRM4CM | Christiana Customer Reliability Imp | 252,106 | 61,304 | 100,868 | 69,544 | 94,689 |
| 24 | UDLNRM4CU | Install Tree Wire Secondary - Chris | 56,028 | 46,803 | 239,024 | 158,437 | 268,557 |
| 25 | UDLNRM9SB | CH Replace Steel Poles 4th St Wilm | - | - | - | - | 77,986 |
| 26 | UDSNLM78E | Edgemoor Switchyard New 69/12kV Tra | 21,874 | 911 | - | - | 537,441 |
| 27 | UDSNRD8A | New Castle Substation Planned Impro | - | 3,806 | - | - | - |
| 28 | UDSNRD8Q | NC Distribution Substation SPCC Plans | - | - | 351,377 | 127,604 | (1,040) |
| 29 | Total DPL Distribution Closings to Plant - Delaware Reliability | | 2,334,249 | 2,960,640 | 3,289,388 | 3,178,783 | 3,933,265 |

| <u>Line</u> | <u>Item</u> | <u>Amount Per Proxy Stmt.</u> | <u>DPL DE Elec Dist. Expense %</u> | <u>Mullinax Filed Position</u> | <u>Included in Company's Exec Incentive Adj.</u> | <u>Mullinax Corrected Position</u> |
|-------------|----------------------------|---------------------------------------|--|--|--|--|
| 1 | LTIP | (4,447,411) | 10.784% | (479,617) | (479,617) | 0 |
| 2 | Non-Equity comp | (1,426,492) | 10.784% | (153,836) | (153,836) | 0 |
| 3 | Dividends Restricted stock | (149,497) | 10.784% | (16,122) | (16,122) | 0 |
| 4 | Common Stock | (290,095) | 10.784% | (31,284) | (31,284) | 0 |
| 5 | Co Match Def Comp | (72,597) | 10.784% | (7,829) | 0 | (7,829) |
| 6 | Tax Prep Fee | (9,200) | 10.784% | (992) | 0 | (992) |
| 7 | Financial Prep Fee | (62,091) | 10.784% | (6,696) | 0 | (6,696) |
| 8 | Club Dues | (15,427) | 10.784% | (1,664) | 0 | (1,664) |
| 9 | Spousal Travel | (4,593) | 10.784% | (495) | 0 | (495) |
| 10 | Employment Transition Exp | (97,922) | 10.784% | (10,560) | 0 | (10,560) |
| 11 | Total | (6,575,325) | | (709,096) | (680,859) | (28,236) |